



ERIE INDEMNITY COMPANY

Investor Supplement Fourth Quarter 2013

This report is for informational purposes only and includes consolidated financial statements and financial exhibits that are unaudited. This report should be read in conjunction with documents filed with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K for 2013.

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Investor Supplement - Fourth Quarter 2013
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Basis of Presentation

Entity Definitions

- The accompanying consolidated financial statements of Erie Indemnity Company reflect the consolidated results of Indemnity and the Erie Insurance Exchange ("Exchange"), which we refer to collectively as "Erie Insurance Group."
- **Indemnity** is a publicly held Pennsylvania business corporation that since 1925 has been the managing Attorney-in-Fact for the subscribers (policyholders) of Exchange. Indemnity shareholder interest represents the Class A and Class B shareholders. All management operations accrue to the Indemnity shareholder interest.
- **Exchange** is a subscriber (policyholder) owned Pennsylvania-domiciled reciprocal insurer that writes property and casualty insurance. Exchange refers to the noncontrolling interest held for the interest of the subscribers (policyholders) and includes its interests in Erie Insurance Company ("EIC"), Erie Insurance Company of New York ("ENY"), Erie Insurance Property and Casualty Company ("EPC"), Flagship City Insurance Company ("Flagship") and Erie Family Life Insurance Company ("EFL"). All property and casualty and life insurance results accrue to the interest of the subscribers (policyholders) of the Exchange, or noncontrolling interest.
- The Property and Casualty Group ("P&C Group") is a regional insurance group operating in 11 Midwestern, Mid-Atlantic, and Southeastern states and the District of Columbia. The P&C Group is comprised of Exchange and its wholly owned property and casualty subsidiaries.
- EFL is an affiliated life insurance company that underwrites and sells individual and group life insurance policies and fixed annuities.
- Operating income (loss) is net income (loss) excluding the after-tax impact of the net realized investment gains (losses) and impairment losses.

Property and Casualty Group

- Certain operating and statistical measures have been incorporated herein to provide supplemental data that indicate current trends in the P&C Group's business. These measures include revenue, policies in-force and policyholder retention. Policyholder retention is defined as renewal policies in the current period divided by total policies in the prior period.
- The P&C Group, along with others in the property and casualty insurance industry, use statutory underwriting ratios as measures of performance. The loss and loss expense ratio is the ratio of losses and loss expenses to earned premiums. The statutory underwriting expense ratio is the ratio of underwriting expenses to written premiums. The combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and the policyholder dividend ratio. A combined ratio below 100% demonstrates underwriting profit; a combined ratio above 100% demonstrates underwriting losses. The catastrophe ratio (a component of the loss ratio) represents the ratio of catastrophe losses to earned premiums.
- GAAP combined ratio is the sum of the loss and loss expense ratio, the underwriting expense ratio and, where applicable, the ratio of policyholder dividends to net earned premiums. For GAAP, the loss and loss expense ratio is the ratio of incurred losses and loss expenses to net earned premiums. The underwriting expense ratio is the ratio of policy acquisition and other underwriting costs to net earned premiums. A GAAP combined ratio under 100% generally indicates an underwriting profit. A GAAP combined ratio over 100% generally indicates an underwriting loss.
- Loss reserve development is the increase or decrease in incurred losses and loss expenses as a result of the re-estimation of loss and loss expense reserves at successive valuation dates for a given group of claims. Loss reserve development may be related to one or more prior years. In the opinion of the Company's management, discussion of loss reserve development is useful to investors as it allows them to assess the impact between prior year development on incurred claims and claim adjustment expenses, net income, and changes in claims and claim adjustment expense reserve levels from period to period.

Erie Insurance Group's Quarterly Operations by Interest (Unaudited)								
(dollars in millions, except per share data)								
	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Three months ended		Three months ended		Three months ended		Three months ended	
	December 31,		December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
Management operations:								
Management fee revenue, net	\$ 301	\$ 275	\$ -	\$ -	\$ (301)	\$ (275)	\$ -	\$ -
Service agreement revenue	8	8	-	-	-	-	8	8
Total revenue from management operations	309	283	-	-	(301)	(275)	8	8
Cost of management operations	268	249	-	-	(268)	(249)	-	-
Income from management operations before taxes	41	34	-	-	(33)	(26)	8	8
Property and casualty insurance operations:								
Net premiums earned	-	-	1,247	1,143	-	-	1,247	1,143
Losses and loss expenses	-	-	870	883	(1)	(1)	869	882
Policy acquisition and other underwriting expenses	-	-	355	321	(36)	(29)	319	292
Income (loss) from property and casualty insurance operations before taxes	-	-	22	(61)	37	30	59	(31)
Life insurance operations:⁽¹⁾								
Total revenue	-	-	53	45	0	(1)	53	44
Total benefits and expenses	-	-	39	33	0	0	39	33
Income from life insurance operations before taxes	-	-	14	12	0	(1)	14	11
Investment operations:⁽¹⁾								
Net investment income	4	4	82	87	(4)	(3)	82	88
Net realized gains on investments	0	1	261	56	-	-	261	57
Net impairment losses recognized in earnings	0	0	(3)	0	-	-	(3)	0
Equity in earnings of limited partnerships	9	5	40	27	-	-	49	32
Income from investment operations before taxes	13	10	380	170	(4)	(3)	389	177
Income from operations before income taxes and noncontrolling interest	54	44	416	121	-	-	470	165
Provision for income taxes	18	14	138	32	-	-	156	46
Net income	\$ 36	\$ 30	\$ 278	\$ 89	\$ -	\$ -	\$ 314	\$ 119

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

Operating income	\$ 36	\$ 29
Net income per share - diluted	\$ 0.67	\$ 0.56
Operating income per share - diluted	\$ 0.67	\$ 0.54

Key measures

Gross margin % - Indemnity	13.2%	12.2%
GAAP combined ratio	98.1%	105.5%

Erie Insurance Group's Year to Date Operations by Interest								
(dollars in millions, except per share data)								
	Indemnity shareholder interest		Noncontrolling interest (Exchange)		Eliminations of related party transactions		Erie Insurance Group	
	Years ended		Years ended		Years ended		Years ended	
	December 31,		December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012
Management operations:								
Management fee revenue, net	\$ 1,266	\$ 1,157	\$ -	\$ -	\$ (1,266)	\$ (1,157)	\$ -	\$ -
Service agreement revenue	31	31	-	-	-	-	31	31
Total revenue from management operations	1,297	1,188	-	-	(1,266)	(1,157)	31	31
Cost of management operations	1,088	983	-	-	(1,088)	(983)	-	-
Income from management operations before taxes	209	205	-	-	(178)	(174)	31	31
Property and casualty insurance operations:								
Net premiums earned	-	-	4,820	4,422	-	-	4,820	4,422
Losses and loss expenses	-	-	3,365	3,384	(5)	(5)	3,360	3,379
Policy acquisition and other underwriting expenses	-	-	1,387	1,284	(187)	(182)	1,200	1,102
Income (loss) from property and casualty insurance operations before taxes	-	-	68	(246)	192	187	260	(59)
Life insurance operations:⁽¹⁾								
Total revenue	-	-	192	178	(2)	(2)	190	176
Total benefits and expenses	-	-	144	132	0	0	144	132
Income from life insurance operations before taxes	-	-	48	46	(2)	(2)	46	44
Investment operations:⁽¹⁾								
Net investment income	15	16	325	338	(12)	(11)	328	343
Net realized gains on investments	1	5	753	404	-	-	754	409
Net impairment losses recognized in earnings	0	0	(12)	0	-	-	(12)	0
Equity in earnings of limited partnerships	22	15	138	116	-	-	160	131
Income from investment operations before taxes	38	36	1,204	858	(12)	(11)	1,230	883
Income from operations before income taxes and noncontrolling interest	247	241	1,320	658	-	-	1,567	899
Provision for income taxes	84	81	435	199	-	-	519	280
Net income	\$ 163	\$ 160	\$ 885	\$ 459	\$ -	\$ -	\$ 1,048	\$ 619

(1) Earnings on life insurance related invested assets are integral to the evaluation of the life insurance operations because of the long duration of life products. On that basis, for presentation purposes, the life insurance operations in the table above include life insurance related investment results.

Operating income	\$ 162	\$ 157
Net income per share - diluted	\$ 3.08	\$ 2.99
Operating income per share - diluted	\$ 3.07	\$ 2.92

Key measures

Gross margin % - Indemnity	16.1%	17.3%
GAAP combined ratio	98.6%	105.6%

Erie Indemnity Company

Investor Supplement - Fourth Quarter 2013 (Unaudited)

Balance Sheet Information - Indemnity

(in millions)

	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Assets					
Investments					
Available-for-sale securities, at fair value:					
Fixed maturities	\$ 526	\$ 499	\$ 438	\$ 421	\$ 452
Equity securities	50	48	48	49	55
Limited partnerships	146	158	166	167	180
Other invested assets	1	1	1	1	1
Total investments	723	706	653	638	688
Cash and cash equivalents	49	33	39	41	12
Deferred income taxes	2	42	43	39	37
Other assets	114	107	115	115	117
Receivables from Exchange and other affiliates	300	320	309	287	281
Note receivable from EFL	25	25	25	25	25
Total assets	\$ 1,213	\$ 1,233	\$ 1,184	\$ 1,145	\$ 1,160
Liabilities and shareholders' equity					
Liabilities					
Other liabilities	\$ 479	\$ 576	\$ 537	\$ 509	\$ 518
Total liabilities	479	576	537	509	518
Shareholders' equity	734	657	647	636	642
Total liabilities and shareholders' equity	\$ 1,213	\$ 1,233	\$ 1,184	\$ 1,145	\$ 1,160

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Indemnity Management Operations

(dollars in millions)

Direct written premiums of the P&C Group

	Three Months Ended					Twelve months ended	
	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Private passenger auto	\$ 521	\$ 592	\$ 579	\$ 527	\$ 489	\$ 2,219	\$ 2,087
Homeowners	330	376	367	270	294	1,343	1,189
Commercial multi-peril	150	153	169	163	134	635	560
Commercial auto	84	86	99	90	75	359	329
Workers compensation	83	86	97	100	76	366	325
All other lines of business	35	39	43	37	31	154	141
P&C Group direct written premiums - total	1,203	1,332	1,354	1,187	1,099	5,076	4,631

Indemnity management operations revenue

	Three Months Ended					Twelve months ended	
	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Management fee rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Management fee revenue, gross	\$ 301	\$ 333	\$ 338	\$ 297	\$ 274	\$ 1,269	\$ 1,157
Service fee/other	8	8	6	6	9	28	31
Total revenue from management operations	\$ 309	\$ 341	\$ 344	\$ 303	\$ 283	\$ 1,297	\$ 1,188

Indemnity cost of management operations

	Three Months Ended					Twelve months ended	
	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Commissions	\$ 172	\$ 187	\$ 187	\$ 164	\$ 158	\$ 710	\$ 635
Non-commission expense	96	94	98	90	91	378	348
Total cost of management operations	\$ 268	\$ 281	\$ 285	\$ 254	\$ 249	\$ 1,088	\$ 983

Gross margin from management operations

	Three Months Ended					Twelve months ended	
	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Income from management operations	\$ 41	\$ 60	\$ 59	\$ 49	\$ 34	\$ 209	\$ 205
Gross margin %	13.2%	17.7%	17.3%	16.1%	12.2%	16.1%	17.3%

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P&C Group Direct Written Premium Growth Measures

	Dec. 31, 2013	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
12 month growth rate policies in force					
Total all lines	4.8%	4.7%	4.4%	4.3%	3.9%
Total personal lines	4.8%	4.7%	4.4%	4.2%	3.8%
Total commercial lines	5.2%	5.0%	4.6%	4.9%	4.7%
Retention trends					
Total all lines	90.6%	90.7%	90.9%	91.0%	90.9%
Total personal lines	91.2%	91.3%	91.5%	91.6%	91.6%
Total commercial lines	86.7%	86.5%	86.4%	86.7%	86.2%
12 month % change average premiums					
Total all lines	4.5%	4.7%	4.8%	4.7%	4.3%
Total personal lines	3.8%	3.9%	3.9%	3.7%	3.6%
Total commercial lines	6.3%	6.7%	7.1%	7.0%	5.9%

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P&C Group Reported Combined Ratio (Statutory Basis) - Direct Business								
Three Months ended December 31, 2013					Three Months ended December 31, 2012			
	Prior Year Reserve Development Deficiency Calendar Year (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes			Prior Year Reserve Development Deficiency Calendar Year (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	114.5%	(1.4)%	0.2%	115.7%	115.2%	(2.4)%	1.3%	116.3%
Homeowners	75.0%	(0.4)%	7.3%	68.1%	110.2%	(4.9)%	42.2%	72.9%
Other personal lines	69.7%	(2.1)%	(0.3)%	72.1%	84.9%	(5.3)%	3.9%	86.3%
Total personal lines	99.2%	(1.0)%	2.8%	97.4%	112.9%	(3.3)%	15.9%	100.3%
Commercial multi-peril	78.2%	8.9%	(2.9)%	72.2%	91.0%	(11.6)%	9.7%	92.9%
Commercial auto	106.7%	(0.6)%	(0.1)%	107.4%	97.8%	(8.3)%	1.9%	104.2%
Workers compensation	120.4%	18.6%	0.0%	101.8%	78.1%	(9.2)%	0.0%	87.3%
Other commercial lines	52.6%	(10.3)%	(0.1)%	63.0%	61.4%	(6.6)%	1.1%	66.9%
Total commercial lines	94.2%	7.7%	(1.3)%	87.8%	87.4%	(9.8)%	4.7%	92.5%
Grand total - direct business only	97.8%	1.5%	1.6%	94.7%	105.7%	(5.1)%	12.7%	98.1%
Twelve Months ended December 31, 2013					Twelve Months ended December 31, 2012			
	Prior Year Reserve Development Deficiency Calendar Year (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes			Prior Year Reserve Development Deficiency Calendar Year (Redundancy) [Direct business]	Catastrophe Losses	Current Accident Year Excluding Catastrophes
Private passenger auto	104.3%	(0.6)%	0.6%	104.3%	106.3%	0.2%	2.2%	103.9%
Homeowners	88.0%	(0.9)%	11.0%	77.9%	109.5%	(4.6)%	33.7%	80.4%
Other personal lines	62.1%	(13.8)%	0.6%	75.3%	63.0%	(16.7)%	2.9%	76.8%
Total personal lines	97.7%	(0.9)%	4.4%	94.2%	106.7%	(1.8)%	13.1%	95.4%
Commercial multi-peril	87.5%	2.3%	1.5%	83.7%	92.7%	(8.4)%	10.5%	90.6%
Commercial auto	102.7%	0.3%	0.1%	102.3%	100.1%	(3.4)%	3.4%	100.1%
Workers compensation	109.1%	4.4%	0.0%	104.7%	103.4%	5.5%	0.0%	97.9%
Other commercial lines	72.1%	2.2%	0.2%	69.7%	76.8%	2.7%	1.3%	72.8%
Total commercial lines	95.6%	2.3%	0.7%	92.6%	96.2%	(2.9)%	5.5%	93.6%
Grand total - direct business only	97.1%	0.0%	3.3%	93.8%	103.8%	(2.1)%	11.0%	94.9%